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PART XIV.

FURTHER CORRESPONDENCE

RESPECTING THE

FINANCES OF TURKEY.

1893.

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CONFIDENTIAL.

Further Correspondence respecting the Finances of Turkey.

Part XIV.

No. 1.

The Earl of Rosebery to Sir Clare Ford.

(No. 16.)
(Telegraphic.) P. *Foreign Office, January* 26, 1893.

SURTAXE on imports in Crete.

Consul at Canea telegraphs that you direct him to apply to me for instructions.

Please give directions to Mr. Biliotti in accordance with terms of my note to Rustem Pasha of the 24th October last.

Should the Consuls be unable to agree among themselves or with the Vali, an arrangement should, if possible, be made by the Ambassadors with the Turkish Government.

No. 1*.

Colonial Office to Foreign Office.—(Received February 7.)

Sir, *Downing Street, February* 7, 1893.

I AM directed by the Marquis of Ripon to acknowledge the receipt of your letter of the 27th ultimo, and to request that you will inform the Earl of Rosebery that his Lordship concurs in the terms of the draft which it is proposed to address to the Turkish Ambassador on the subject of the surplus revenues of Cyprus.

I am at the same time to add that Lord Ripon cannot but regret the necessity for acquiescing in a measure which would practically render more difficult of realization the hope entertained in the island, that some arrangement may be devised with the object of reducing or commuting the heavy charge on the Cypriot revenues, caused by the present annual Tribute.

The draft despatch is herewith returned, and it is requested that a copy of it may ultimately be communicated to this Department for record.

I am, &c.
(Signed) EDWARD FAIRFIELD.

No. 2.

The Earl of Rosebery to Rustem Pasha.

M. l'Ambassadeur, *Foreign Office, February* 7, 1893.

THE questions raised in Morel Bey's note of the 9th August in connection with the Cyprus Tribute were referred to the Lords Commissioners of Her Majesty's Treasury and to the High Commissioners in Cyprus, and I am now in a position to furnish your Excellency with the information required by the Turkish Government.

I have the honour in the first place to express to your Excellency the gratification

with which Her Majesty's Government have learnt that their calculation, as to the amount of the Tribute money, has been accepted by the Sublime Porte. I have, however, been requested by the Lords Commissioners of Her Majesty's Treasury to remind your Excellency of the stipulations of the Articles II and III of the Convention between Great Britain, Turkey, and France of the 27th June, 1858, which provides for an annual payment of 1 per cent. on the capital of the Guaranteed Loan of 1855, and make this payment a charge on the whole revenues of the Ottoman Empire.

So long as the Turkish Government omit to make provision for meeting this engagement in respect of sinking fund on the Guaranteed Loan from other sources, Her Majesty's Government consider it to be their duty to retain the small balance of the Tribute money which is not required for the payment of interest on the loan, and to apply it to sinking fund purposes. The sum thus accumulated towards a sinking fund amounts to 87,274*l.*, and has been invested in Consols, amounting to 89,626*l.* 14*s.*, and standing to a special account. As soon as the amount invested is found to realize 97,400*l.*, it is proposed to employ the money in redemption of the bonds to that amount which were drawn for payment in the first year (viz., 1876), when no provision was made by the Sublime Porte for sinking fund.

In the matter of the salt Tribute due to Turkey, I have the honour to remind your Excellency that it has always been open to the Turkish Government to send ships to remove it from Larnaca, and that inquiries were made in 1882 and in 1883 as to whether steps could be taken for this purpose. The inquiries appear to have remained unanswered.

The season for working the salines begins in May, and Her Majesty's Government, on receiving timely notice of the Porte's intention to send for the salt, will direct the authorities in Cyprus to collect the proper quantity (of 5,208 tons a-year), in order that it may be at the disposal of the Representatives of the Turkish Government.

As to the details of the payments in connection with the pensions and commissions which are deducted from the amount representing the surplus revenues of Cyprus, I beg leave to forward herewith a copy of a despatch from the High Commissioner,* with original declarations from the pensioners, as to the payments received by them during the financial year 1891-92, and other papers explaining the deduction made on account of commissions. Your Excellency will perceive that the pensions in the last year amounted only to 45*l.* 2*s.* 8*d.*

Vouchers in support of these payments will, in future, be sent home regularly for communication to the Turkish Government.

As regards the last request in Morel Bey's note, I have the honour to inform your Excellency that due notice of the lapsing of pensions as they occur will be given to Her Majesty's Ambassador at Constantinople, for the information of the Turkish Ministry of Finance.

In conclusion, I take the opportunity of expressing the hope that the unavoidable delay in replying to your Excellency has not caused inconvenience to the Turkish Government.

I have, &c.
(Signed) ROSEBERY.

No. 3.

Rustem Pasha to the Earl of Rosebery.—(Received February 20.)

Ambassade Impériale de Turquie, Londres, le 18 Février, 1893.

M. le Comte,

J'AI l'honneur d'accuser réception de la note que votre Seigneurie a bien voulu m'adresser le 7 de ce mois, au sujet de l'excédent des revenus de l'Ile de Chypre. Je remercie votre Seigneurie pour les informations qu'elle a l'obligeance de me transmettre, ainsi que pour les pièces et documents qui se trouvaient joints à sa communication.

J'ai remarqué que la note de votre Seigneurie, tout en indiquant en termes généraux l'état de la question, ainsi que les sommes totales qui la résument, ne dit pas si le détail des comptes des quatorze dernières années sera communiqué à la Sublime Porte. Comme mon Gouvernement désirerait, pour l'information du Département des Finances, recevoir ces comptes, je serais reconnaissant à votre Seigneurie si elle voulait

* Sir W. Sendall, November 22, 1892.

bien demander à la Trésorerie d'en faire préparer une copie et de vouloir bien me l'envoyer pour être transmise à Constantinople.

D'autre part, il résulte de la note de votre Seigneurie que l'excédent des revenus de Chypre, déduction faite de la somme qui est consacrée au service des intérêts de l'Emprunt Garanti de 1855, présente un léger surplus annuel, et que ce surplus est conservé par la Trésorerie pour être appliqué au rachat des titres tirés pour l'amortissement. Sans vouloir entrer ici dans la discussion de ce qui a trait à l'amortissement de l'emprunt, je me permettrai de faire remarquer à votre Seigneurie que le montant dont il s'agit est tellement exigu qu'il ne peut guère exercer sur l'amortissement de l'emprunt d'effet bien appréciable, puisque, durant une époque de treize à quatorze ans, il n'a pas encore produit une somme suffisante pour libérer un seul tirage. Il y a quelques années, mon Gouvernement m'avait chargé de faire une démarche auprès du Gouvernement de Sa Majesté Britannique, en vue d'obtenir que le surplus dont il s'agit fut mis à sa disposition. Je prends la liberté de réitérer auprès de votre Seigneurie la même demande, et de la prier de vouloir bien user de son influence auprès des Lords Commissaires à la Trésorerie pour que la somme représentée par l'accumulation des surplus annuels soit versée au Trésor Ottoman, en réservant pour une époque plus favorable l'examen de la question de l'amortissement.

J'ai à peine besoin d'ajouter que l'emprunt étant au-dessus du pair, l'ajournement de l'amortissement ne préjudicie en rien les intérêts des personnes qui se trouvent avoir en mains les titres tirés pour le rachat et sur lesquels elles continuent à toucher régulièrement l'intérêt.

J'ai, &c.
(Signé) RUSTEM.

No. 4.

The Earl of Rosebery to Sir E. Malet.

(No. 70. Confidential.)

Sir, *Foreign Office, March* 1, 1893.

WITH reference to my despatch No. 64 of the 22nd ultimo, I have to inform your Excellency that Count Metternich, whom I saw to-day, again alluded to the Kaulla Railway Concession, which was encountering difficulties owing to the opposition of the Council of the Ottoman Debt. He admitted that I had done all that could be done at Constantinople, but inquired whether something could not be effected through the Council of Foreign Bondholders in London.

I told Count Metternich that it was impossible for me to take any such action, and I hinted that the German Government seemed to be pursuing an unusual course when, having obtained advantages to the exclusion of all British interests, they now wished Her Majesty's Government to clear the way in every possible manner for the progress of the Concession. For my part I had written to Sir Clare Ford, and could not undertake to move further in the matter.

I am, &c.
(Signed) ROSEBERY.

No. 5.

Sir Clare Ford to the Earl of Rosebery.—(Received March 3.)

(No. 65.)

My Lord, *Constantinople, February* 27, 1893.

WITH reference to your Lordship's telegram No. 27 of the 22nd instant, I have the honour to inclose copy of a Memorandum which I have received from Mr. Caillard, explaining the course of action which he thought it desirable in the interests of the bondholders and of the Turkish Treasury to follow with regard to the recent railway Concessions granted in this country. Mr. Caillard's statement is very clear; and your Lordship will observe that he anticipates that it is possible that at the next meeting of the Council of the Dette Publique a definite arrangement may be arrived at.

I have, &c.
(Signed) FRANCIS CLARE FORD.

Inclosure in No. 5.

Memorandum by Mr. Caillard on the recently granted Railway Concessions in Asia Minor.

IT has been stated in regard to the railway Concessions recently granted to M. Kaulla, a German, one of the conditions of which is that the Public Debt Council should administer the tithes assigned to the guarantees of the railways, that certain members of that Council, especially the English member, have refused their consent to these conditions for, what have been called, "political objects." This latter expression is intended to convey that because, for instance, an Englishman had asked for the extension of the existing Smyrna to Aïdin Railway, which is a purely English concern, therefore Mr. Caillard, the English Delegate to the Public Debt Council, is preventing the execution of railway Concessions granted to persons of other nationalities until satisfaction is granted to the Englishman.

This is absolutely contrary to the facts, which are as follows: The members of the Public Debt Council who are hesitating to give their consent to a condition implying their name are doing so from conscientious doubts as to whether the Turkish Treasury can afford to support the weight of the railway guarantees which have been accorded, because it is evident that it would be directly contrary to the mandate held by the Public Debt Council to assist the Turkish Government in any way to weaken its financial position.

Since October 1888 up to the close of the past year, the following Concessions have been granted for guaranteed railways:—

Name.	Length in Kilometres.	Guarantee per Kilometre.
		Francs.
Haidar-Pasha-Angora	587	14,300
Salonica-Monastir	223	14,300
Salonica-Dedeagatch	500	15,500
Samsoun-Sivas	1,200	13,700

A further Concession had been granted from Panderma to Koniah; it has, however, been recently modified, and will be alluded to again further down, under the name of the Allascheir-Afioun-Kara-Hissar Railway.

Of these lines, that of Samsoun-Sivas may fairly be left out of account, as the concessionnaire cannot find financial backing for his line. Of the other three lines, that from Haidar-Pasha to Angora is completed and worked from end to end. The whole of the Salonica-Monastir line is completed, 100 kilom. are being worked, and within a few weeks this line also will be worked from end to end. The Salonica-Dedeagatch Railway is not yet commenced, but it is certain to be built and completed within the four years.

The completed lines are giving an average of rather under 8,000 fr. per kilom. gross receipts. It would not be safe to estimate that in four years' time they would be giving more than 10,000 fr. gross receipts. At that moment the Salonica-Dedeagatch Railway will have just been completed, and will certainly not be producing more than 7,000 fr. per kilom. gross receipts. Therefore, with the three railway Concessions which had been granted up to the end of last year, the Government will in four years' time be paying £T. 340,252 per annum.

Since the beginning of the year, the following further guaranteed railway Concessions have been granted:—

Name.	Length in Kilometres.	Guarantee per Kilometre.
		Francs.
Eski-Shehr to Koniah (a branch of the Haidar-Pasha-Angora line)	443	13,750
Angora to Cesarea	410	17,650
Allacheir to Kara-Hissar	247	18,900

The first and last of these have to be completed within four years. The second has to be completed within eight years: it being left, however, to the option of the concessionnaire when he will complete the line, the Government is bound to consider that it might be completed within the shortest time, say, four years, like the others.

It should be observed that the Allacheir-Afioun-Kara-Hissar line and the Eski-Shehr-Koniah lines effect a junction at Afioun-Kara-Hissar, and that a large part of the traffic which would have gone over the latter line will thus be diverted and go to Smyrna. It cannot, therefore, be expected that these three lines will produce, when completed, more, for the first few years, than 8,000 fr. per kilom.

The Turkish Government is thus under an engagement which will probably lead to its having to pay, in four years' time, a further £ T. 404,626 per annum for railway guarantees, making a total at that time of £ T. 744,878 per annum.

On the other hand, it should be noted that the Eski-Shehr-Koniah traffic, under the most favourable circumstances, might then be expected to increase the average gross receipts of the Haidar-Pasha-Angora line by about 4,000 fr.; a sum of £ T. 103,312 should therefore be deducted, leaving a net probable amount, under the most favourable circumstances, of £ T. 641,566 per annum to be paid.

In addition to this, the Government has guaranteed the interest on 39,500,000 fr. at 5 per cent., which is the sum raised to repurchase the existing Smyrna to Cassaba line. It may fairly be hoped that the line will produce sufficient net receipts to free the Government from the obligation of ever having to pay anything on this account; nevertheless, it is an engagement which any State financier could not possibly leave out of consideration.

It will thus be observed that the Government has pledged its credit to a very considerable extent in the way of railway guarantees; and pretending that the first two occasions on which guaranteed railway Concessions were accorded, and the consent of the Public Debt Council obtained to administer the guarantees, serve as incontrovertible precedents for all possible guaranteed railway Concessions that may come after, it has now pledged the Council of the Public Debt to administer the guarantees without having in any way consulted that Council.

Those members of the Council who take their mandate seriously to heart consider themselves bound to take time to consider the matter before giving in their consent, although the Government has already presumed to pledge them, for three principal reasons:—

1. In order to consider whether the Government has not already proceeded too far in the way of railway guarantees, and whether, therefore, the Public Debt Council should not refuse to accept the position of being the accomplice of the Government; and in connection with this matter, it should be particularly observed that it is confidentially known that the Imperial Budget shows a very serious deficit, which cannot be reduced below £ T. 600,000.

2. They consider that they cannot, on their own responsibility, undertake of assume any duties outside the particular mandate for which they are here, which mandate comprises only the administration of the revenues conceded for the service of the Ottoman Public Debt. All matters which exceed that mandate they have always referred to their mandatories, and have obtained their previous consent.

3. They wish practically and effectually to protest strongly against the action of the Government in having pledged the Public Debt Council without its previous consent.

The principle here involved is considered to be highly dangerous, because it implies, if allowed to pass, that the Government could commit the wildest financial folly, and render, without their consent, accomplices of that folly, the very men who have been sent here to protect the interests of those who suffered under the previous bankruptcy.

In the Public Debt Council at present there are only two dissentient voices to this way of thinking—(1) that of the Turkish Delegate, who naturally acts under the orders of the Sultan; and (2) the German Delegate, who has taken up an almost inconceivably wrong-headed attitude about the matter, protests strongly against the Public Debt Council taking into consideration any financial risks at all, and cares evidently not one pin what may happen so long as M. Kaulla, the German, gets his Concession safely into his hands.

It is possible that, after due consideration, the Council will decide to give its consent to administering the guarantees accorded, as it might be that after careful examination it will be considered that the increase of revenues obtained by the Government from the districts through which the railways will pass would probably be sufficient, in a relatively short time, to substantially lighten the weight of the guarantees.

It is hoped that sufficient data will have been obtained to enable a definite decision to be arrived at on Thursday, the 9th March.

(Signed) VINCENT CAILLARD

No. 6.

Sir Clare Ford to the Earl of Rosebery.—(Received March 17.)

(No. 69. Confidential.)

My Lord, *Constantinople, March 2, 1893.*

WITH reference to my despatch No. 65 of the 27th ultimo, I have the honour to transmit copy of a further Memorandum which Mr. Caillard has communicated to me with regard to the administration of railway guarantees by the "Dette Publique." Mr. Caillard is of opinion that it is possible that the Ottoman Government might be inclined in certain circumstances to go outside the Council, and either accord the railway Concessions or raise fresh loans without the intervention of the "Dette Publique." From the consequences which would result from such action of the Ottoman Government Mr. Caillard fears that a serious political question might ensue.

I also beg leave to inclose, in connection with this subject, a Memorandum which Sir A. Nicolson has drawn up on some conversations which he had with Prince Radolin, M. Lindau, and Mr. Caillard. I sent these papers for your Lordship's confidential information. The questions raised in them appear to deal with what are, for the moment, only possible eventualities, and which do not as yet require immediate consideration. Moreover, I think it is hardly possible that the French Ambassador seriously meant to go the length of recommending naval demonstration in certain contingencies, which, even if they occurred, would scarcely necessitate such forcible measures.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure 1 in No. 6.

Memorandum by Mr. Caillard on the recent Railway Concessions in Asia Minor.

THE question which has arisen in regard to the administration of the railway guarantees in Turkey by the Council of the Ottoman Public Debt, might possibly be attended by more serious consequences than has been anticipated.

Officially the delay occasioned by the Council of the Public Debt has been put upon the ground that the different members are unable to take upon themselves any responsibility outside the special mandate conferred upon them by the Imperial Decree of Mouharrem, without having previously consulted and obtained the consent of their mandatories. This, however, is only one-half of the truth; the other half—which is the more serious, and from which the real danger might arise—lies in the fact that the most influential members of the Council hesitate as to whether the Turkish Treasury can support the weight of the guarantees which it has accorded. This is perfectly well known both at the Palace and at the Porte, and the Turks vigorously contest the right of the Public Debt Council to consider, either officially or unofficially, what may be the consequence of acts of the Government which do not directly concern the administration of the ceded revenues properly so-called.

It is perfectly clear that the Turks are wrong, as any serious danger to the Turkish Treasury must inevitably weaken the whole financial machine, and affect the security of the bondholders. It is therefore the clear duty of members of the Public Debt Council to warn their mandatories, should they perceive any such danger, and more especially is this the case when they are asked to become accomplices in the act which might cause the aforesaid danger.

Now, the possibility must be admitted of the Public Debt Council being conscientiously forced to refuse the administration of the railway guarantees—whether on this, or on some future occasion—or perhaps of revenues affected to the raising of fresh loans. It is then possible that the Government might attempt to go outside the Council, and either accord the railway Concessions, or raise fresh loans, without the intervention of the Council, In that case the members of the Council would certainly be obliged to refer the matter officially to their mandatories, on the ground of serious danger arising for Turkish finances, and, in consequence, the weakening of the present security of the bondholders, from the incompetency of the Turkish Government to properly administer the finances of the Empire. Such a communication, coming from the Public Debt Council, could not but cause great agitation amongst the bondholders, and it would be almost impossible then to prevent the question of the international control foreshadowed in the Congress of Berlin, from being forced upon the attention of the Governments of the Great Powers. As Turkey would certainly resist any proposal in regard to such control to the utmost of her power, a very serious political question would arise.

Inclosure 2 in No. 6.

Memorandum by Sir A. Nicolson.

(Confidential.)

IN amplification of the Memorandum communicated to your Excellency by Mr. Caillard, I would beg to state that he informed me that, in the event of the Ottoman Government taking any measures towards instituting a special Department for the collection and administration of revenues for railway guarantee purposes, the French Ambassador would strongly oppose any such proceedings as being detrimental to the interests of the bondholders. His Excellency, according to Mr. Caillard, would in that case be ready to recommend to his Government the strongest measures, even to the length of naval demonstrations, in which M. Cambon appeared to think Great Britain might be induced to participate. I asked Mr. Caillard whether the "Dette Publique" was entitled, under their constitution, to protest against the Ottoman Government appointing a Board for the purposes of securing railway guarantees. He replied in the affirmative.

On the other hand, M. Lindau, the German Delegate on the "Dette Publique," was very positive in maintaining, in a private conversation I had with him, that the "Dette Publique" were overstepping their functions in interfering with general Turkish financial administration and in endeavouring to constitute themselves a Board of Control. He was strongly of opinion that the "Dette Publique" should confine themselves to administering the ceded revenues, and should not attempt to regulate matters outside that province.

Prince Radolin, with whom I also spoke, stated that M. Kaulla would, and could, do without the co-operation of the "Dette Publique," should that Body show a disinclination to assist him. He considered that the Ottoman Government had a perfect right to institute a special Board for railway guarantees. He had heard of an "entente" between one or two members of the "Dette Publique" and the French Embassy, and could only regret that these members were being led away by the persuasions of the French Embassy, whose main object was to sow distrust and dissension between German and English interests in the East.

No. 7.

Sir Clare Ford to the Earl of Rosebery.—(Received March 17.)

(No. 81. Confidential.)

My Lord, *Constantinople, March 13, 1893.*

ON the 8th instant my German colleague informed me that he had received a telegram from Berlin stating that, if the Public Debt Council continued to oppose the completion of the arrangement regarding the Anatolian Railway Concessions, the German Government would seriously consider whether they would not endeavour to bring about a radical reform of the constitution of the Council. Important German interests were involved in a matter now before the Council, and the German Government could not view with indifference any action which was detrimental to those interests.

Prince Radolin said that he was quite aware that the Embassy had no connection with the procedure of the British Delegate on the Public Debt Council, but he thought it right to inform me of what was in the mind of his Government.

In reply to a question as to the manner in which the German Government proposed on its own initiative to modify the constitution of an international institution, Prince Radolin said that he did not know the exact *modus operandi*, but he imagined that when a Government seriously intended to attain an object they usually succeeded in finding a way to do so. He requested that I would communicate to Sir E. Vincent and Mr. Caillard the information which he had conveyed to me, as he was desirous that a critical situation should be avoided.

I learn that Prince Radolin made a somewhat similar communication to my Italian colleague, who pointed out to him that the Italian Embassy had no authority over the Italian Delegate, who was a business man, and acted according to his own lights.

This is not the first occasion on which the German Embassy has shown a desire to alter the constitution of the Public Debt Council, and I would beg leave to refer

your Lordship to the late Sir W. White's despatch No. 476, Confidential, of the 19th November, 1891.

The next morning Mr. Caillard came to me and informed me that he had learnt that the Ottoman Government had prepared two Decrees for a complete reorganization of the Public Debt Council, which were to be issued in the event of the Delegates declining to accept the administration of the German Railway guarantees. Mr. Caillard has recorded in a Memorandum, of which I have the honour to inclose a copy, the information he received on that subject, and has added some observations regarding the general action of the German Embassy and the German Delegate in the recent discussions concerning the railway guarantees.

On the 9th instant the majority of the Council agreed in principle to accepting the responsibility of administering the guarantees, the Italian Delegate alone declaring that he could not vote as he was without instructions. A meeting will be held to-day, when it is expected that the matter will be definitely settled. Your Lordship will observe from Mr. Caillard's Memorandum that that gentleman is not very sanguine as to the future, as the Grand Vizier appears to have receded from his previous engagements, which were reported in my telegram No. 46 of the 10th instant, and now asserts that in the future the Ottoman Government are at liberty to thrust on the Public Debt Council the administration of any railway guarantees which they may choose, without necessarily consulting the Public Debt Administration beforehand.

I have, &c.
(Signed) FRANCIS CLARE FORD.

P S.—Since writing the above I have just received a further communication from Mr. Caillard respecting an article which has recently appeared in the "Cologne Gazette." I have the honour to inclose copy of this communication.

F. C. F.

Inclosure 1 in No. 7.

Memorandum by Mr. Caillard on the subject of the Administration of the Guarantees of the New Railways in Asia Minor.

(Private and Confidential.)

THE question in regard to the railway guarantees to be administered by the Public Debt Council may be considered as practically settled. It appears certain that it will be voted on Monday next, with only one dissentient voice,—that of the Italian Delegate, who has received no instructions from his mandatories, who are taking up on this question precisely the same attitude as they took up in regard to the Lottery Bonds arrangement, namely, one of passive obstruction.

It cannot be denied that during the past three weeks the question of the railway guarantees has occasioned a critical situation. In a previous Memorandum, dated the 27th February, I referred to the "almost inconceivably wrong-headed attitude about the matter" taken up by the German Delegate. In a subsequent Memorandum, dated the 1st March, I pointed out that a possible crisis might occur should the Public Debt Council be conscientiously forced to refuse the administration of the guarantees on financial grounds, and should the Turks attempt to go outside the Council and proceed upon their course without its intervention. When I wrote these Memoranda I was not aware how wrong-headed the German action had really been, or how near we really were to a dangerous crisis.

On Tuesday evening last I received a communication from what is generally an unusually well-informed source (not Turkish) to the effect that the Sultan was seriously contemplating, in case the Public Debt refused to administer the railway guarantees, on whatever grounds this refusal might be placed, to suppress the Council in its present form, and substitute for it a kind of mixed Council, in which there should be two or three Europeans, chosen by the Sultan himself, and four or five Turkish functionaries, the Turks thus always to have a majority. It was added that this was only known to a very few of the most confidential advisers of the Sultan, probably not even to the Minister of Finance, and amongst the other Ministers, only to the Grand Vizier.

I confess that I attached very little credence to this report, in spite of the source from which it came, as such a foolish course of action appears wildly improbable even for the Turks, for it meant that because they could not for the moment employ the only instrument by which they could procure sufficient credit to render the construction

of railways in Turkey possible, they would destroy that instrument altogether, and with it not only the credit necessary for the construction of railways, but the whole of their financial credit of every kind. To my great surprise, however, I yesterday received absolute confirmation of this information from another source, which I cannot but consider undeniable, with the addition that, not only has the German Embassy been cognizant of this intention of the Sultan, but has even (unofficially, of course) been considering with him, in case of refusal to administer the railway guarantees, the advisability of the suppression of the Public Debt Council.

I cannot bring myself to believe that the German Government can really have contemplated this suppression. I am under the impression that they rather mooted the idea in the hope that it might reach our ears, and be considered a sufficiently formidable threat for us to immediately give way on the guarantee question. For whilst I conceive it as within the bounds of possibility that the Turks should be sufficiently blind to their own interests to destroy all their credit, it appears to me inconceivable that because the German Emperor could not get his way upon the question of a few hundred additional kilometres of railway here the German Government should deliberately ruin the large German railway interests which now exist in this country. It is needless to point out that the action proposed would have rendered utterly impossible the issue of any further Turkish railway obligations, of which the Deutsche Bank has still a very large quantity on its hands; in fact, I think it may be stated without exaggeration that that institution would have become very nearly bankrupt. Moreover, instead of facilitating matters in regard to the present railway Concessions, they would all have been blown up into the air for good and all. It is perhaps conceivable that the German Government believed that there would only be a passing effect upon railway interests, and that these would rapidly recover. If they held this belief sincerely, I do not for a moment question that they would see the Public Debt Administration destroyed with relative unconcern, since German financial interests, other than those in railways, scarcely exist in this country, the great mass of Turkish bondholders being English and French. I, however, am unable to bring myself to believe that they could have judged the situation so incorrectly, and conclude, as I before said, that they wished only to exercise pressure by means of threats.

However this may be, it is my duty to point out that the real result of this attitude on the part of the Germans is lamentable. The Turkish Government, and the Sultan especially, have always looked upon our Administration as an irksome fetter to their liberty. I think I may say that hitherto, by constant care and tact, that fetter has been made as light and imperceptible as possible, but the consciousness of its presence has remained. Our great strength was the fact that the Turks believed the whole of Europe to be acting together in regard to the Public Debt Administration, and this impression has been not only maintained, but increased, since I have been here, in spite of various dissensions in the Council itself. The Sultan has, without the slightest doubt, been hitherto convinced that if he touched the Public Debt Administration the Great Powers of Europe (perhaps with the exclusion of Russia) would instantly insist upon the international financial control foreshadowed at the Congress of Berlin. This conviction, now that the Sultan has perceived that one of the Great Powers of Europe, at least, can not only contemplate with equanimity, but even consult with him as to the advisability of, the suppression of the Public Debt Council, has been most seriously weakened, if not altogether wiped out.

Not later than this morning I was able to perceive a slight change of attitude in the Grand Vizier, although he was perfectly cordial and friendly. For instance, he asked, as a matter which we should take into serious consideration, whether it would not be possible for the Public Debt to retrocede to the Turkish Government part of the revenues ceded to the Turkish Government for the benefit of the bondholders, and which he suddenly pretends we are collecting by error, as they were not included in the arrangement sanctioned by the Mouharrem Decree. Again, he persisted in saying that for the future the Government was perfectly at liberty to thrust upon the Public Debt Administration the administration of any railway guarantees it chose, without there being the slightest necessity of our being consulted beforehand. He listened attentively to what I had to say on both subjects, but I could perceive that he had no intention of withdrawing from his position.

It appears to me, therefore, that the crisis may really not be more than adjourned. The real remedy is time; if sufficient time is left us before a similar question is mooted again we shall, no doubt, by a renewal of our careful tactics of the past, be able to a very great extent to patch up the breach which has been effected, and my hope is that the Sultan may have been really alarmed by the serious representations

which have been made him in regard to the danger of charging his Budget with further railway guarantees or any fresh loans for the present, and that therefore this time may be left us.

In conclusion, I must point out that the whole of this action of the Germans has been entirely gratuitous, and that there has not been at any moment the least reason for their striking out and doing the damage which they have done. I, myself, personally, several times informed my German colleague that if he did not attempt to precipitate matters, but would leave the Council reasonable time for consulting the financial authorities in Europe before coming to a decision, he would find that matters would take exactly the course which he wished; I spoke to the railway concessionnaire, M. Kaulla, himself, in precisely the same sense. I know also that my French colleague and Sir Edgar Vincent spoke in the same sense to the German Delegate to the Public Debt Council; and, moreover, both Sir Edgar Vincent and myself have held exactly similar language to the German Ambassador.

None of our representations have taken the slightest effect. The Germans insisted upon attempting immediately to drive matters through with a high hand, and finding that they could not do so, they seem to have hit out in a blind passion, not caring a straw what might be the effect of their blows.

There can, I should think, be few instances extant of such grave danger being caused so utterly gratuitously.

At any rate, it is discouraging to see the careful work of nine years undermined for absolutely no reason.

(Signed) VINCENT CAILLARD.

March 11, 1893.

Inclosure 2 in No. 7.

Mr. Caillard to Sir Clare Ford.

Constantinople, March 13, 1893.

Sir,

I THINK it will interest your Excellency to have a copy of the summary of an article in the "Cologne Gazette," which has been sent to me.

I should explain that the paragraph which appeared in the "Standard" of the 6th instant in the summary of news, and upon which the article in the "Cologne Gazette" is based, corresponds to a telegram which was sent to me in clear by a certain Mr. Swaffield, who is a perfectly irresponsible person, and has no right to assume any official relations with me whatever. He is not even a member of the Council of Foreign Bondholders, but he is a large holder of Turkish bonds (Series A), and one of the principal shareholders of the Smyrna-Aidin Railway.

In regard to the attitude which is attributed to me in this question, your Excellency is aware that the "Cologne Gazette" is entirely at fault. I think I cannot do better than inclose you herewith a copy of the letter which I addressed to Mr. Swaffield in answer to his telegram, of which you will find a copy in the body of the letter.

I inclose you also a copy of the 37th Article of the Concession granted to M. Kaulla, in which the Damascus-Biredjik line, which is being asked for by a French subject, vigorously supported by the French Ambassador, is mentioned as having been already granted. I would draw your attention to the fact, therefore, that in voting our consent to the administration of the guarantees for the lines granted to M. Kaulla, we are likewise voting for the administration of the guarantees of the Syrian line. I have no authority from the Council of Foreign Bondholders to go so far, but seeing the circumstances of the case, I am taking upon myself this not inconsiderable responsibility.

There is no doubt that the Council will decide the question to-day, although the German concessionnaire does not accept the conditions, perfectly right and reasonable, accepted by all the other concessionnaires, granting certain slight advantages to our Administration in the matter of the transport of salt, the creation of salt depôts along the line, &c. My colleagues were much inclined to make a *sine qud non* of these conditions, but on my strong representations as to the unadvisability of creating any further tension, I have persuaded them to vote the whole thing definitively to-day (the Italian member always, of course, abstaining), with the request that the Government will do its best to induce the German concessionnaire to follow the good example of all the others.

I have, &c.

(Signed) VINCENT CAILLARD.

Inclosure 3 in No. 7.

Summary of Article in the "Cologne Gazette."

La Dette Publique et le Chemin de Fer d'Anatolie.—La "Gazette de Cologne" du 7 Mars (No. 190), publie sous le titre "L'Angleterre et le Chemin de Fer d'Anatolie," un long article, où il est dit que les "bondholders" Anglais ont donné pour instruction à M. Caillard de s'opposer à ce que la Dette Publique se charge de percevoir les revenus affectés en garantie aux chemins de fer Kaulla. Après avoir expliqué longuement combien une pareille décision est contraire aux intérêts des concessionnaires Allemands, et à ceux de la Turquie, la feuille Rhénane continue ainsi:—

"L'opposition des 'bondholders' Anglais en cette affaire serait absolument incompréhensible si l'on ne connaissait pas le rôle étrange que M. Caillard et la Banque Ottomane qui est drrèicre lui ont joué dernièrement en employant les moyens les plus douteux pour empêcher le Sultan d'accorder à des Allemands la prolongation des lignes d'Anatolie. Ces intrigues ont été complètement déjouées, grâce, d'une part à la connaissance exacte que le Sultan avait de la situation, et de l'autre, à la vigilance du Prince Radolin. Mais M. Caillard ne sait pas se résigner à cet échec mérité; il veut maintenant se venger à sa manière et nuire en temps aux intérêts de la Turquie. Il a réussi contre toute attente à duper les 'bondholders' Anglais et à les faire servir ses desseins.

"La conduite de M. Caillard et des Anglais qui sont derrière lui a un sens clair, et non équivoque, qui sera aussi compris à la Sublime Porte. Elle impose à l'Allemagne une conduite toute aussi peu équivoque. Si les Anglais sont décidés à faire une guerre continuelle à l'Allemagne sur le terrain économique, l'Allemagne, surtout en ce moment, ne manquera pas d'occasion pour rendre la pareille à l'Angleterre. Nous ne doutons pas un instant que l'Allemagne n'hésitera pas à relever le gant qui lui a été jeté; mai, M. Caillard peut se rassurer; la construction du Chemin de Fer d'Anatolie sera continuée et menée à bonne fin malgré toutes ces intrigues."

Inclosure 4 in No. 7.

Mr. Caillard to Mr. Swaffield.

March 3, 1893.

Dear Sir,

I HAVE the honour to acknowledge the receipt of a telegram which reached my hands late on Wednesday evening to the following effect:—

"Bondholders object Public Debt Council administering obligations assigned for new railway Concessions injurious to British interests; your own position hitherto 'sans reproche,' would become compromised by suggested arrangement."

I am much obliged to you for so kindly tendering me your advice, and for your free expression of your fear that by pursuing a certain course of conduct the representative of the English bondholders might find his name, hitherto irreproachable, become compromised. I cannot but be touched by the implied compliment, and the regard for me which leads you to express this care for my personal position here.

I would beg you, however, to be kind enough to remember this: that whilst appreciating and fully sympathizing with the irritation of the Smyrna-Aidin Company at the course which events in regard to the railway Concessions in this country have recently taken, I am bound by my position here to look at things from a perfectly general point of view, not confining myself to considering them from a national standpoint only, however dear the latter may be to me personally. It seems to me that it is impossible for this Council to consider the nationality of constructors of railways in Turkey. If the Government can afford to pay guarantees which it has promised, or is inclined to promise, and if the railways to which those guarantees are effected are such as will develop the resources and promote the prosperity of the Empire, I do not see on what grounds our Council could possibly refuse to afford its help to the Turkish Government if asked for. For you will at once perceive that it is to the highest advantage of the bondholders that the material prosperity of Turkey should be advanced as rapidly and as securely as possible, and that no means are so conducive to this end as

the establishment of railway communications, almost completely lacking, in Asia Minor, and whether these railways be constructed by Englishmen, Frenchmen, or Germans, the effect produced will be very approximately the same.

Again thanking you for your kind telegram, I am, &c.

(Signed) VINCENT CAILLARD.

P.S.—I state the above as a general principle which must guide the Council.

No decision has yet been taken as to the present railway Concessions; this matter is now under the most careful consideration.

V. C.

Inclosure 5 in No. 7.

Article 37 of the Concession granted to M. Kaulla.

LA jonction de la ligne de Damas-Halop-Biredjik, dont la Concession a été accordée à une autre Compagnie avec la ligne de Bagdad, s'opérera à un point situé entre Biredjik et Telek, point qui sera déterminé d'un commun accord entre le Gouvernement Impérial et le concessionnaire.

No. 8.

Treasury to Foreign Office.—(Received April 6.)

Sir, *Treasury Chambers, April 5, 1893.*

THE Lords Commissioners of Her Majesty's Treasury have given their best consideratioa to the note from the Turkish Ambassador, inclosed in your letter of the 25th February, on the subject of the Cyprus tribute appropriated to the service of the Ottoman Loan of 1855.

In reply I am to state, for the information of the Secretary of State for Foreign Affairs, that their Lordships are happy to supply Rustem Pasha with the account brought up to date for which he asks.*

With reference to the other questions referred to by his Excellency, I am to state that my Lords do not feel justified in departing from the decision taken by their predecessors; and that accordingly the small surplus which constitutes so inadequate a contribution towards the Sinking Fund charged on the revenues of the Ottoman Empire will, in the absence of any better arrangement, continue to be retained for the purpose of being eventually applied in paying off drawn bonds, when the surplus has accumulated to a sufficiently large sum to admit of such application.

I am, &c.

(Signed) FRANK MOWATT.

No. 9.

The Earl of Rosebery to Rustem Pasha.

M. l'Ambassadeur, *Foreign Office, April 10, 1893.*

IN compliance with the request contained in your Excellency's note of the 18th February last, I have the honour to transmit to you herewith a statement which I have received from the Lords Commissioners of the Treasury,† showing the manner in which the various amounts forming the tribute of the Island of Cyprus have been disposed of.

I have, &c.

(Signed) ROSEBERY.

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* Not printed.

† See No. 8.

No. 10.

Sir Clare Ford to the Earl of Rosebery.—(Received April 28.)

(No. 159.)

My Lord, *Constantinople, April 24, 1893.*

I HAVE the honour to inclose herein copy of a Memorandum which Mr. Caillard, of the Administrative Council of the Ottoman Public Debt, has been good enough to draw up for me respecting the new loan of £ T. 1,000,000 which it is proposed to be raised by the Turkish Government.

It is expected that the Council of Ministers will come to a decision on the subject in the course of a few days.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure in No. 10.

Memorandum by Mr. Caillard on a Loan of £ T. 1,000,000 proposed to be raised by the Turkish Government.

THIS loan of £ T. 1,000,000 is raised chiefly for the purpose of paying for the large orders of Mauser rifles, for the rearmament of the Turkish army, recently given in Germany. Its nominal amount is £ T. 1,000,000, and it is to bear an interest of 4 per cent., with a sinking fund of 1 per cent.; the annual sum, therefore, required for the service of the loan is £ T. 50,000.

The loan is to be secured on the annual rent of £ T. 40,000 paid to the Turkish Government by the Tumbeki Monopoly Company, and £ T. 10,000 taken from the customs duties levied on tumbeki entering the Empire. The latter sum is to be levied in the following manner. The customs duties on tumbeki being 3 piastres per kilog., the Tumbeki Monopoly Company is to be authorized to pay only 1 piastre per kilog. to the Customs authorities at Bagdad and Hodeidah, and to retain the other 2 piastres as security for the loan until the sum of £ T. 10,000 is complete.

The collection of this £ T. 10,000 is thus left absolutely in the hands of the Tumbeki Monopoly Company. Since the latter will pay the whole £ T. 50,000 direct to the Imperial Ottoman Bank, for the service of the loan, the security may be consi dered a good one. In fact, in so far as its special character is concerned, the strength of the security depends upon the financial strength and prosperity of the Tumbeki Monopoly Company, which seems likely to turn out a good business. In addition to this special security there is of course the general security of the undertaking of the Turkish Government.

The Imperial Ottoman Bank is now in treaty with the Government as to the price at which it will take the loan firm. The present offer is 69, but the Bank is willing to increase this to 70, and the latter is the price to which the Ottoman Government says it will agree. The Bank, however, does not wish at the present moment to take the whole loan firm at once. The idea is to advance to the Government £ T. 300,000 on the security of the bonds of the new loan, and to leave the remainder at the option of the Bank for a period of five months. This £ T. 300,000 is sufficient for the present needs of the Government, which consist of the necessity to pay the first instalment for the recent purchase of rifles, the whole amount due for which is £ T. 600,000.

The intention of the Ottoman Bank, in obtaining the delay of five months to come to a decision as to the balance of the loan, is to return to the original project of a loan of £ T. 2,500,000, a considerable portion of which would be applied to paying off the Raccordement Railways Company, and in regard to which a detailed Report was sent by me to the Embassy on the 5th November, 1892. The Government, however, does not appear willing to accept this condition, and is insisting that the whole loan of £ T. 1,000,000 should be taken firm at once. It fears that if the five months' option be left to the Ottoman Bank, the latter will use the option as a screw for obtaining the Raccordement Loan on too favourable conditions; for since the Government will certainly require the remainder of the money at the end of the five months, it might be possible for the Ottoman Bank then to say that unless the

Government will agree to the Raccordement Loan on the conditions required by the Bank, the latter would refuse to take up the option of the remainder of the first loan, and the Government would find itself taken entirely at a disadvantage.

If the whole loan were taken firm at 70, the cash at the disposal of the Government would be £T. 700,000, of which £T. 600,000 would be utilized for paying for the rearmament of the troops, and £T. 100,000 kept for general purposes.

It is asserted that the present loan of £T. 1,000,000 will not form any new charge on the Budget of the Empire. This may be said to be true in the following sense: Firstly, when the Tumbeki Monopoly Company was formed some eighteen months ago, it undertook to pay a rent of £T. 40,000 a-year to the Turkish Government. This new resource remains unhypothecated up to the present moment, and, since it is new, its hypothecation does not affect the charges on the Turkish Budget as it stood two years ago. Secondly, up to the month of April of last year, the customs duty upon Tumbeki was 2 piastres 30 paras per ocque. After that date it was raised to 3 piastres per kilog. This makes a difference, supposing the importation of Tumbeki to remain stationary, of from £T. 25,000 to £T. 30,000 a-year in favour of the Turkish Government. This increase of customs duty may therefore also be considered as a new resource, and the £T. 10,000 taken from it to complete the service of the loan may therefore be considered, in the same sense as before, to form no charge on the ordinary Budget of the Empire. The service of the loan may, in short, be said to form an extraordinary charge, to meet which extraordinrry resources have been found.

The question is to be submitted very shortly to the Council of Ministers. The only difficulty likely to arise is that above described in regard to the option demanded by the Ottoman Bank.

I will keep the Embassy informed of the subsequent phases of this question.

It is worth noting that the sum of £T. 600,000 necessary to pay for the new rifles is that which was referred to in my Memorandum on the Railway Guarantees, dated the 27th February, 1893, as forming an irreducible deficit in the Budget. By means of the new loan, therefore, this deficit is made to disappear.

(Signed) VINCENT CAILLARD.

April 22, 1893.

No. 11.

Sir Clare Ford to the Earl of Rosebery.—(*Received May* 12.)

(No. 184.)

My Lord, *Constantinople, May* 8, 1893.

I HAVE the honour to inclose you two copies of the preliminary Report of the Council of Administration of the Ottoman Public Debt. The most salient points of this Report are as follows:—

General Receipts.—The gross receipts for the year, amounting to £ T. 2,268,269, show an increase of £ T. 112,041 on the preceding year, of which £ T. 71,464 is derived from the five conceded revenues and the tobacco arrears. The expenses, amounting to £ T. 83,724, show a decrease of £ T. 5,932. Thus a total net increase for the year is shown of £ T. 117,973, which is the largest increase hitherto obtained in any one year except in 1888–89, when the Eastern Roumelian payments were renewed.

Increase of Interest.—The reserve account for the increase of the rate of interest, which was opened at the end of the tenth financial year, amounting to £ T. 9,493, has been increased to £ T. 114,462.

Lottery Bonds.—A scheme proposed by the Austro-Hungarian Syndicate, by which the reimbursement of the lottery bonds would be effected at the rate of 75 per cent., has been submitted to the European Syndicates and the Ottoman Government for their adhesion.

Sinking Funds.—Although the funds available for this service were greater than in the preceding year, the nominal capital of the four series amortized, viz., £ T. 1,447,600, shows a decrease on the preceding year; this is explained by the fact that whilst in the latter year the average rate at which the amortizations were effected was 30·558 per cent., in the former year it was 36·714 per cent. The amount by which the whole debt was reduced during the year, by the action of the sinking funds, was £ T. 1,505,452.

Reforms.—Mr. Vincent Caillard states in the preface that the past year has been one of greater activity in initiating and effecting reforms in the Administration, than any of those preceding it, and partly attributes the net increase for the year of £ T. 117,973 to this cause; he expresses the hope that, if no extraordinary causes occur to prevent it, the present prosperous condition of the revenues of the Public Debt may be more than maintained in the future.

This preliminary Report will be followed in due time—that is, in about the month of September next—by the usual definitive Report of the Council on the operations of the year, which I shall then have the honour to forward to your Lordship with such remarks as it may suggest to me.

I have, &c.

(Signed) FRANCIS CLARE FORD.

No. 12.

Sir Clare Ford to the Earl of Rosebery.—(*Received May* 17.)

(No. 192.)

My Lord, *Constantinople, May* 13, 1893.

WITH reference to my despatch No. 159 of the 24th ultimo on the subject of a loan for the sum of £ T. 1,000,000 to be effected by the Ottoman Government, I have the honour to inform your Lordship that the Imperial Iradé authorizing it to be raised was issued on the 8th instant.

I am indebted to Mr. Caillard, of the Administrative Council of the Ottoman Debt, for a Memorandum on the subject, copy of which is herein inclosed.

In it Mr. Caillard sets forth the reasons which induced him to advise the Turkish Government to contract the loan in question.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure in No. 12.

Complementary Memorandum on the Tumbeki Loan.

THE Imperial Iradé authorizing the Sublime Porte to contract the Tumbeki Loan with the Ottoman Bank was issued on the 8th instant.

The terms of the loan are exactly those described in my Memorandum of the 22nd April, viz., the nominal amount is £ T. 1,000,000, bearing interest at the rate of 4 per cent., with a sinking fund of 1 per cent. The contractors take firm £ T. 300,000 at once at the price of 70, and have reserved to them an option, extending over five months, of taking up the remaining £ T. 700,000 at the same price.

On being consulted by the Turkish Government as to the advisability of contracting the loan on these terms I advised them to do so. My principal reason in giving this advice was, that it was to be feared that if the contractors were obliged to take the whole amount firm at once—thus putting at the disposal of the Turkish Government £ T. 700,000 in cash at once—the Russians might, as is their usual manner when they hear that a large sum of money is at the disposal of the Turkish Government, come down upon the latter with a pressing demand for further payments for the war indemnity. With so small an amount as only £ T. 300,000 certain—that is to say £ T. 210,000 in cash—this danger would be minimized. The same argument will apply later on, when the remaining £ T. 700,000 will be taken firm (and it is to be noted that the contractors have given a verbal assurance that they will not fail to take up their option before the five months elapse), when the first instalment will certainly have been spent, and the amount in cash which will remain at the disposal of the Government at that time will probably not be sufficient to give the Russians ground for putting in a strong claim.

My second reason was, that it leaves the door open for the contractors to tack on to this Tumbeki Loan a further loan for the repayment of the Raccordement Railways —which, in my opinion, would be a good operation for the Turkish Government.

Such having been the advice which I gave to the latter, it is unnecessary for me to add that I believe that it is a wise proceeding on its part to have concluded the loan

on the terms described, since, as stated in the previous Memorandum, the service of the loan is met by special resources and does not form a charge on the ordinary Budget.

(Signed) VINCENT CAILLARD.

May 10, 1893.

No. 13.

Rustem Pasha to the Earl of Rosebery.—(Received May 30.)

Ambassade Impériale de Turquie,

M. le Comte, *Londres, le* 29 *Mai*, 1893.

JE n'ai pas manqué de communiquer au Gouvernement Impérial, à l'époque de leur réception, les deux notes que votre Seigneurie m'a fait l'honneur de m'adresser en date du 7 Février et du 10 Avril de cette année, au sujet de l'excédant des revenus de l'Ile de Chypre.

La Sublime Porte m'a informé, en réponse, que le Ministère des Finances se réserve d'examiner les différents points qui font l'objet des notes précitées. En attendant, le Ministère Impérial me fait savoir que conformément à la proposition contenue dans la note de votre Seigneurie du 7 Février, le Gouvernement Ottoman a décidé de prendre consignation du sel provenant des salines, après déduction de la quantité nécessaire à la consommation locale. Je serais donc reconnaissant à votre Seigneurie si elle voulait bien faire aviser les autorités de Chypre de cette décision, et leur faire envoyer des instructions pour que le sel en question soit tenu chaque année à la disposition des agents de l'Administration de la Dette Publique Ottomane. En ce qui concerne l'excédant de sel de l'année courante, soit 5,208 tonnes, la dite Administration a décidé de les faire transporter par les bateaux desservant la ligne de Chypre.

J'ai, &c.

(Signé) RUSTEM.

No. 14.

Sir Clare Ford to the Earl of Rosebery.—(Received November 7.)

(No. 501.)

My Lord, *Constantinople, October* 30, 1893.

I HAVE the honour to forward to your Lordship herewith copy of a despatch which I have received from Her Majesty's Consul at Damascus, reporting on the finances of the vilayet.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure 1 in No. 14.

Consul Eyres to Sir Clare Ford.

Sir, *Damascus, October* 11, 1893.

IN view of the sanguine accounts of the finances of the Turkish Empire which appear from time to time in European newspapers of high standing, and of the *couleur de rose* statements frequently made in the Turkish papers, I venture to think that it may be desirable to give some particulars of the finances of the Vilayet of Damascus, the condition of which certainly does not bear out, as far as this province is concerned, the optimist views above referred to.

I have the honour to inclose herewith a statement of revenue and expenditure, which is a fair average presentment of the Budget of the vilayet for the past three years. From this it will be observed there is a yearly deficit of £ T. 23,000. This deficit has existed certainly during the past three years, and I have reason to believe that the finances have for some time past been in a very critical condition. The enormous military expenditure and the portion of the expenses of the pilgrim caravan borne by the Treasury of Damascus cause the principal drain on the local resources, and there is no hope of any diminution in these items. It is true that the Governor-General is in hopes that the establishment of the new Sandjak at Maán will materially reduce the Hadj expenditure; but, besides the fact that this is doubtful,

there will be for the present, and no doubt for several years to come, a further charge on the Treasury for the expenses of the sandjak. To obtain the 15,000*l.* required to start the expedition, the payment of all salaries has been stopped, a course of action which resulted in a mutiny among the zaptiehs, who piled their arms and left the barracks; while the officers of the regular troops have shown no more inclination to submit to the loss of their pay.

The Government meets the deficit by the simple process of deferring payment and dragging on from year to year heavily in debt. But it is clear that this method cannot long be pursued; the local Treasury must end in hopeless bankruptcy unless it receive external aid, or unless some of its burdens be lightened. If it were permissible to impose new taxes, it would not be possible to collect them except in towns; for the agricultural population, on whose shoulders the weight of taxation in this country falls heaviest, are in the most hopelessly poverty-stricken condition. In no other province have I seen the peasantry so abjectly poor; I do not speak, of course, of the semi-independent districts. All their lands are in the hands of money-lenders, and they eke out a bare existence on what is left of their produce when the money-lender (who has in most cases become the proprietor) has taken his share.

The outlook appears very gloomy, and the local authorities, though wide enough awake to the fact, do not attempt any remedies, though, indeed, it is difficult to suggest any possible course. Sooner or later, however, the Imperial Treasury will be forced to come to their aid in some form or other.

I have, &c.

(Signed) H. C. A. EYRES.

Inclosure 2 in No. 14.

Statement of Revenue of Expenditure of Vilayet of Damascus.

Revenus du Vilayet.

	£ T.
Impôt Foncier ("Verghui")	107,000
Patente	10,000
Exonération militaire des Chrétiens	14,000
Moutons	55,000
Dimes	130,000
Mines et Forêts	1,000
Tapou et transferts	6,000
Revenus des propriétés de l'État	1,000
Revenus des Tribunaux	4,000
Divers	8,000
	336,000

Dépenses du Vilayet.

	£ T.
Magistrature ("Cheri Adlié")	13,000
Dépenses locales. Traitements	46,000
Intérêts	6,000
Liste Civile	10,000
Guerre	170,000
Gendarmerie, Zaptiés, et Tahsildar	50,000
Police	3,000
Service Sanitaire	1,000
Havalés (Caravane Sacrée comprise)	60,000
	359,000

No. 15.

Sir Clare Ford to the Earl of Rosebery.—(Received November 20.)

(No. 172. Commercial.)

My Lord, *Constantinople, November* 9, 1893.

I HAVE the honour to inclose you a copy of the Annual Report of Mr. Vincent Caillard, Delegate of the British, Belgian, and Dutch bondholders on the Council of the Ottoman Public Debt.* The principal features of this Report are the following:—

* Not printed.

General Receipts.—There is an increase in the gross receipts of £T. 132,464, against an increase of expenditure of £T. 14,644, the net increase thus amounting to £T. 117,974. The results thus shown are the most satisfactory for any year since the establishment of the administration of the Public Debt. All the revenues contributed to this increase with the exception of the "Spirits" and "Fisheries." On these, however, the decrease is insignificant, and Mr. Caillard points out that if the increase in the "Spirits" revenue in the preceding year be taken into consideration, the returns obtained last year more than maintain the average yearly rate of increase since the cession of these revenues.

Sinking Funds.—The result of the working of these funds during the course of the past year was that a total nominal capital of £T. 1,505,452 was redeemed, against £T. 1,782,200 in the previous year. Owing to the rise in price, the amounts actually expended for this purpose were greater than in the preceding year, the figures being £T. 670,558 8 p., against £T. 667,886 66 p.

Reserve Fund.—The result of this development of revenue in the past year has been that a sum of £T. 104,826 has been added to the "Interest Increase Reserve Fund," which had attained the sum of £T. 114,462 at the close of the past year.

Reforms.—From Mr. Caillard's Report your Lordship will see that these are being carried out with great energy, the most striking examples during the period treated of being the establishment of an improved Inspectorate, the division of the collection of the ceded revenues into different Departments, the institution of an entrance examination on a system somewhat similar to the English Civil Service examination, and the establishment of "Relief" and "Savings" Funds.

Railways.—Your Lordship will observe that Mr. Caillard's Report discusses at length the beneficial effect upon the trade and commerce of the Ottoman Empire resulting from the construction of railways in Asia Minor, and gives some striking figures in support of his views, pointing out at the same time the important part played by the Public Debt Council in this matter.

Credit and Progress.—Figures are given showing the total amount of the Public Debt outstanding, which amounted on the 1st (13th) September in this year to £T. 130,394,970. A net reduction has thus been effected in the total exterior Ottoman Public Debt of £T. 932,030 since the 1st (13th) September, 1892, although a fresh loan of £T. 1,000,000 was raised by the Government in the month of May last. No fresh charge, however, is brought to bear on the previous Budget of the Imperial Treasury by this loan, since it is secured on the new "tumbeki" monopoly. Mr. Caillard publishes some very interesting figures in regard to the credit and material progress of Turkey, showing the increase in Turkish credit abroad since the establishment of the Administration of the Public Debt. Thus, whilst Turkish credit in the year 1885-86 was measured by a rate of interest of 6·45 per cent., it was in 1892-93 measured by one of 4·62 per cent. Finally, Mr. Caillard points out the renewal of industrial activity in Turkey which has recently taken place, and the increasing interest taken by foreign capitalists in such investments.

I have, &c.
(Signed) FRANCIS CLARE FORD.